

Banking in Scotland was inaugurated by the system of monopoly, but differed from all earlier banking systems enjoying monopoly of note issues in the fact that the first, joint stock bank was formed by private persons for the express purpose of promoting trade and not for supporting the credit of the government. The charter of the Bank of Scotland, which was organized under authority of an act of the Scotch Parliament of July 17, 1695, was framed to some extent on the model of the charter of the Bank of England and made it illegal for any other company to set up the business, of banking for twenty-one years. The joint stock was to be 1,200,000 Scotch pounds, the equivalent of 100,000 English-pounds sterling, and was to be subscribed in amounts of not less than £1000 Scotch nor more than £20,000 Scotch (equivalent to £83 6s. 8d. and £166 13s. 4d. English).¹ The bank was allowed to lend on real or personal security at not more than six per cent., but was prohibited from employing its stock or profits in any other trade or commerce, except that of lending and borrowing money upon interest and the negotiation of bills of exchange. The company was prohibited from purchasing land or from advancing money to the government, upon the anticipation of any sums to be granted by Parliament, except those upon which a loan should be authorized by a specific act.

The Bank of Scotland soon encountered the opposition of the African Company, otherwise known as the Darien Company, which was organized by William Paterson, the founder of the Bank of England. The Bank of Scotland had so little confidence in its ability to protect its monopoly, that it made no serious effort to contest the legal rights of its rival, but endeavored to strengthen its position by calling in two-tenths of its capital, of which one-tenth had been originally paid in. The African company issued notes with great imprudence, lent to its own shareholders, and was obliged to

¹ The coinage of Scotland was assimilated with that of England by the act of Union in 1707, and the Bank of Scotland assisted in the operation by receiving the old money and giving new money or their own notes in return.